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# Russian Federation

# Oilseeds and Products

# September Update

# 2003

**Approved by:**
Allan Mustard
U.S. Embassy

**Prepared by:**
Yelena Vassilieva and Dorothy Adams

**Report Highlights:**
Post increases total oilseeds production from 4.3 million metric tons (mmt) to 5 mmt based on sown area estimates, the present favorable weather conditions, and increasing incentives to compensate for potential grain shortfalls in trade and feeding. Post increases total exports to 700,000 tons, including 650,000 tons of sunflowerseeds. Imports will depend on the successful resolution of GMO registration issues for feed.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Unscheduled Report
Moscow [RS1]
[RS]

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### Production

The area sown to oilseeds increased from 4.8 million hectares in 2002 to almost 6.3 million hectares in 2003. This increase was partially due to re-sowing of damaged winter grain area in Southern Russia, increased demand for protein feeds, and improved domestic crushing capacity. Weather was more favorable for oilseeds in European Russia than for grains and therefore Post forecasts total production at almost 5.0 mmt in MY 2003. The major crop will be sunflowerseeds and some analysts think that Russia could possibly become the largest producer of sunflowerseeds in the world this year, leaving behind Argentina and the Ukraine. “Sovecon” provided the latest data on sown area for oilseeds.

### Sunflowerseeds

The area sown to sunflowers has increased from 4.1 million hectares in 2002 to 5.3 million hectares in 2003. Specialists think this increase was the result of the high profit margin of sunflower production in the past three years and the need to replant winter grain crops. Sunflowerseed production forecasts vary from 4.1 million metric tons to the historic record of 4.5 million metric tons with Post’s forecast right in the middle at 4.3 mmt. The biggest increases in sown area were in Rostov oblast (256,000 hectares more), Volgograd oblast (186,000 hectares more), Krasnodar Kray (140,000 hectares more) and Altai Kray (99,500 hectares more). Rains in August improved growing conditions and average yields of 0.8-0.9 tons per hectare are expected. The weather in September will be crucial for the harvest and will greatly affect final crop size.

### Soybeans

The area sown to soybeans increased from 471,000 hectares to over 585,000 hectares, or by almost 24 percent, and therefore Post increases its production forecast to 520,000 metric tons. The Far Eastern Federal district increased area sown to soybeans by 55,000 hectares to over 440,000 hectares, but the most significant increase was in the Southern Federal District – to over 132,000 hectares from 76,000 hectares in 2002. According to reports, some private farmers in the Southern Federal District have re-sown destroyed winter wheat fields with soybeans, although this area is not reflected in official data, and some of the crop from these private farms will not be reported, because farmers will sell it for cash or, if they have the equipment, process it themselves into soymilk for feeding calves and piglets. For example, in Volgograd some farmers started harvesting soybeans for on-farm processing into soy milk and consider it a much more profitable business than many other crops. Additionally, soybeans are a good predecessor for wheat in the domestic crop rotation system.

### Other Oilseeds

The area sown to mustard increased by almost 80 percent to over 140,000 hectares and the area sown to rapeseed increased from 32,000 hectares to 48,000 hectares. Post did not change rapeseed and mustard production estimates, because total volumes of these crops are not significant. However, sources report that mustard production in the European Russia will be higher than last year. Post forecasts total production of these crops will increase from 163,000 metric tons to over 200,000 metric tons.

### Consumption

Post increases domestic crush of oilseeds to almost 4.0 mmt, including 3.45 mmt of sunflowerseeds. During the last few years, oil-crushing capacity has been rapidly increasing. According to the Director of Agrarian Marketing Institute, the main oils and fats companies processed more than 2.8 million metric tons of sunflower seeds in 2002, an increase of 40 percent over the previous year. This year plant capacity utilization will increase to 95 percent against 87 percent last year (Interfax, #33)

### Consumption of Soybean Protein Products

During the last several years, Russia has been increasing imports of deep processed soybean food products by 10,000 – 15,000 metric tons a year and these imports now reach 150,000 metric tons worth $200 million. The shortage of protein in the diets of the Russian people is estimated at 40 percent of present dietary norms, while up to 50 percent of protein containing food products are imported. Domestic demand for protein food ingredients is forecast to increase and officials have recently declared their support for the special program "Soya of Russia" which is aimed at sharply increasing domestic production of soybeans by 2010 (Russian soybean production potential was estimated at 7.5 – 8.0 million tons). In order to process this amount of soy into protein rich food products, Russia will have to construct 18 new plants for production of soybean isolates, concentrates, and pharmaceuticals. The GOR will pay for the training of specialists who can use soy proteins in the dairy and meat industries, while the rest of the needed 12.7 billion rubles for construction of plants and for an increase in domestic soybean production are expected to come from foreign investors. The first plant for production of 10,000 metric tons of diet soybean textured products with only 6-8 percent content of oil was put into operation in 2002 not far from Moscow in Lytkarino. The complete financing and fulfillment of this program is doubtful, but it demonstrates the interest of domestic consumers and processors in soybean protein food ingredients.

### Trade

Given the near record sunflowerseeeds crop and heat-damaged sunflowerseeds and rapeseeds crops in Europe, Post estimates exports at 650,000 metric tons. However, competition from the Ukraine will be tough because domestic crush capacity in that country is much smaller and the Ukraine will not be able to export a significant amount of grain this year. Additionally, the export duty in the Ukraine is 17 percent versus 20 percent and not less than 30 EURO per ton in Russia. Volumes of exports will also largely depend on domestic demand, which has increased due to the expansion of the manufacturing capacity. Russian grain export potential will be significantly lower this year compared to last year as well, giving traders additional incentives to export sunflowerseeds.

### Trade in Vegetable Oils

Given the existing export duty on sunflowerseeds on one hand and increasing domestic crushing capacity on the other, Russian companies prefer to export sunflower oil if prices and competition allow. According to the Unidell Group, between September 2002 and May 2003, Russia exported 100,000 metric tons of sunflower oil (equivalent of almost 250,000 metric tons of sunflowerseeds). However, Russia still remains a net importer of vegetable oils (soybean, palm and other oils).

### Prices

The majority of the oilseed crop is unharvested at the present time and therefore the price situation is not yet clear, however some regional authorities have already set procurement prices for purchases for the regional funds or for payments on spring loans. For example, the Government of the Republic of Tatarstan set the price of rapeseeds to be sold for repayment of official loans to farmers for spring sowing and leasing at 4,600 rubles ($152) per metric ton.

### Mergers and Shifts of Property in the Oilseeds Industry

Significant changes in the ownership of many processing facilities and disputes about property rights of some major oils and fats plants may influence the production and investment attractiveness of the industry. The following table shows shares of major companies in production of vegetable oil products (margarine, mayonnaise, ketchups, mustard, soap and other vegetable oil containing products).

**Table 1. Production of products of oils and fats industry in January – May 2003, by major producers, in Metric Tons.**

| | Name of Plant | Production, Metric Tons | Market Share, % |
|---|---|---|---|
| 1. | Nizhegorodskiy MZhK* | 69,355 | 21.3 |
| 2. | Saratovskiy MZhK | 58,034 | 17.8 |
| 3. | EFKO | 26,447 | 8.1 |
| 4. | Yekaterinburgskiy ZhK** | 24,132 | 7.4 |
| 5. | Moskovskiy ZhK | 23,831 | 7.3 |
| 6. | Irkutskiy MZhK | 19,840 | 6.1 |
| 7. | Moskovskiy MZ*** | 18,307 | 5.6 |
| 8. | Novosibirskiy ZhK | 18,181 | 5.6 |
| 9. | Samarskiy ZhK | 17,104 | 5.3 |
| 10. | Krasnodarskiy MZhK | 12,392 | 3.8 |
| 11. | Yevdakovskiy MZhK | 12,334 | 3.8 |
| 12. | St. Peterburgskiy MZhK | 6,012 | 1.8 |
| 13. | Kirovskiy MZ | 5,893 | 1.8 |
| 14. | Permskiy MZ "Sdobri" | 5,476 | 1.7 |
| 15. | Krasnoyarskiy MZ | 3,414 | 1.0 |
| 16. | Khabarovskiy MZhK | 2,153 | 0.7 |
| 17. | Kazanskiy ZhK | 1,654 | 0.5 |
| 18. | Bif-Agro, Rostov-on-Don | 672 | 0.2 |
| 19. | Znamenskiy MZ | 133 | 0.0 |
| 20. | Troitskiy ZhK | 0 | 0.0 |
| | TOTAL | 325,364 | |

Notes:
* MZhK – Russian abbreviation for Oil and Fats Plant
** ZhK – Russian abbreviation for Fats Plant
*** MZ – Russian abbreviation for Vegetable Oils Plant
Source: Izvestiya, June 30, 2003

### Sunflowerseeds

Crush domestic consumption is forecast to increase to 3.45 million metric tons due to the large crop and current twenty percent export duty. Despite expanding crushing capacity, exports may be more profitable even with the existing duty when domestic oilseeds prices plummet. Increasing offers in the domestic market may also stimulate traders to lobby for lifting of these duties. For the most part, the same companies export both grain and sunflowerseeds and a shortage of grain for export (compared to last year) may also stimulate these companies to be more active in exports of sunflowerseeds. Post increases its forecast to 650,000 metric tons.

**Table 2 PSD, Sunflowerseeds, 1,000 Hectares, 1,000 Metric Tons**

| PSD Table | | | | | | |
|---|---|---|---|---|---|---|
| Country | Russian Federation | | | | | |
| Commodity | Oilseed, Sunflowerseed | | | | (1000 HA)(1000 MT) | |
| | 2001 | Revised | 2002 | Estimate | 2003 | Forecast |
| | USDA Official [Old] | Post Estimate [New] | USDA Official [Old] | Post Estimate [New] | USDA Official [Old] | Post Estimate [New] |
| **Market Year Begin** | | 09/2001 | | 09/2002 | | 09/2003 |
| Area Planted | 4200 | 4200 | 4117 | 4090 | 4800 | 5270 |
| Area Harvested | 3420 | 3420 | 3798 | 3798 | 4800 | 5000 |
| Beginning Stocks | 35 | 35 | 5 | 5 | 25 | 25 |
| Production | 2670 | 2670 | 3685 | 3685 | 4100 | 4300 |
| MY Imports | 5 | 5 | 5 | 5 | 5 | 0 |
| MY Imp. from U.S. | 0 | 0 | 0 | 0 | 0 | 0 |
| MY Imp. from the EC | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL SUPPLY | 2710 | 2710 | 3695 | 3695 | 4130 | 4325 |
| MY Exports | 50 | 50 | 200 | 200 | 600 | 650 |
| MY Exp. to the EC | 50 | 0 | 100 | 100 | 100 | 300 |
| Crush Dom. Consumption | 2485 | 2485 | 3300 | 3300 | 3300 | 3450 |
| Food Use Dom. Consump. | 100 | 100 | 100 | 100 | 150 | 120 |
| Feed,Seed,Waste Dm.Cn. | 70 | 70 | 70 | 70 | 70 | 70 |
| TOTAL Dom. Consumption | 2655 | 2655 | 3470 | 3470 | 3520 | 3640 |
| Ending Stocks | 5 | 5 | 25 | 25 | 10 | 35 |
| TOTAL DISTRIBUTION | 2710 | 2710 | 3695 | 3695 | 4130 | 4325 |

**Soybeans**

Post increases the soybean production forecast to 530,000 metric tons due to increased sown area. Imports of soybeans in MY 2002, including June 2003, did not exceed 5,500 metric tons. By the beginning of this month, soybeans GMO issues were only partially resolved and therefore Post decreases its MY 2002 import estimate to 22,000 metric tons. Post decreases its MY 2003 soybean import forecast for the same reasons and also because of the expected higher domestic crop. Domestic crush of soybeans will rise and Post forecasts soybean meal production to increase to 415,000 metric tons, 15 percent more than in MY 2002. Along with increased domestic soybean meal production, Post forecasts bigger imports of soybean meal than in MY 2002. These imports will be stimulated by the resolution of GMO registrations for meal and by the smaller supply and high domestic prices of grain, which usually replaces protein rich feeds in poultry feeding when grain is plentiful. Post does not forecast higher imports of soybean oil because competition with cheap sunflowerseeds oil will be high.

**Table 3 PSD, Soybeans, 1,000 Hectares, 1,000 Metric Tons**

| PSD Table | | | | | | |
|---|---|---|---|---|---|---|
| Country | Russian Federation | | | | | |
| Commodity | Oilseed, Soybean | | | | (1000 HA)(1000 MT) | |
| | 2001 | Revised | 2002 | Estimate | 2003 | Forecast |
| | USDA Official | Post Estimate | USDA Official | Post Estimate | USDA Official | Post Estimate |

| | [Old] | [New] | [Old] | [New] | [Old] | [New] |
|---|---|---|---|---|---|---|
| **Market Year Begin** | | 09/2001 | | 09/2002 | | 09/2003 |
| Area Planted | 420 | 420 | 475 | 476 | 500 | 585 |
| Area Harvested | 420 | 420 | 475 | 362 | 500 | 560 |
| Beginning Stocks | 20 | 20 | 20 | 20 | 17 | 5 |
| Production | 350 | 350 | 423 | 423 | 425 | 520 |
| MY Imports | 65 | 65 | 30 | 22 | 100 | 60 |
| MY Imp. from U.S. | 40 | 40 | 20 | 0 | 0 | 0 |
| MY Imp. from the EC | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL SUPPLY | 435 | 435 | 473 | 465 | 542 | 585 |
| MY Exports | 0 | 0 | 0 | 0 | 10 | 40 |
| MY Exp. to the EC | 0 | 0 | 0 | 0 | 0 | 0 |
| Crush Dom. Consumption | 410 | 410 | 450 | 460 | 502 | 520 |
| Food Use Dom. Consump. | 0 | 0 | 0 | 0 | 0 | 0 |
| Feed,Seed,Waste Dm.Cn. | 5 | 5 | 6 | 0 | 10 | 10 |
| TOTAL Dom. Consumption | 415 | 415 | 456 | 460 | 512 | 530 |
| Ending Stocks | 20 | 20 | 17 | 5 | 20 | 15 |
| TOTAL DISTRIBUTION | 435 | 435 | 473 | 465 | 542 | 585 |